

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2199 – SB 2372

January 18, 2012

SUMMARY OF BILL: Requires a 10 percent premium reduction for any renewed insurance policy contract if no claim resulting in payment by the insurance company was filed in the previous year. Authorizes the Commissioner of the Department of Commerce and Insurance (TDCI) to promulgate rules and regulations pursuant to this requirement.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue – Net Impact - \$1,109,300/FY12-13
\$277,300/FY13-14**

Assumptions:

- TDCI assumes that life insurance, title insurance, TennCare HMOs, and workers' compensation self-insurance will not be subject to this bill.
- According to TDCI, FY10-11 insurance premium tax collections were \$493,000,000.
- TDCI estimates that 60 percent, or \$295,800,000 (\$493,000,000 total collections x 60%), was from renewal policies.
- TDCI estimates that 15 percent, or \$44,370,000 (\$295,800,000 renewal policy tax collections x 15%), was collected from policies for which no claims resulting in payment by the insurer had been paid in the previous year.
- The required 10 percent premium reduction results in a \$4,437,000 decrease in premium tax collections (\$44,370,000 x 10%); however, TDCI estimates that in FY12-13, insurers will begin increasing premiums thereby offsetting a portion of the decrease in state premium tax collections. TDCI estimates a 25 percent net decrease in premium tax collections in FY12-13. Therefore, the net decrease in state revenue in FY12-13 is estimated to be \$1,109,250 (\$4,437,000 x 25%).
- TDCI estimates that in FY13-14, insurers will further increase premiums thereby offsetting a greater portion of the FY12-13 decrease in state premium tax collections. For FY13-14, TDCI estimates the decrease in premium tax collections to be 25 percent of the decrease in premium tax collections estimated for FY12-13. Therefore, the net decrease in state revenue in FY13-14 is estimated to be \$277,313 (\$1,109,250 FY12-13 tax collections x 25%).
- TDCI anticipates insurers will increase premiums enough by FY14-15 and subsequent years to return premium tax collections to the FY10-11 levels.

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/sbh